

Message Text

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INFO OCT-01 ISO-00 /001 R

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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 189631 TOSEC 080282

NODIS
FOR THE SECRETARY FROM CHRISTOPHER

E.O. 11652: GDS

TAGS: PFOR, OVIP (VANCE, CYRUS)

SUBJECT: EVENING READING

FOLLOWING IS TEXT OF WEDNESDAY'S EVENING READING.

1. MAKARIOS FUNERAL AND THE FUTURE OF CYPRUS. OUR DELEGATION TO THE MAKARIOS FUNERAL RETURNED LAST NIGHT FROM CYPRUS. THE CYPRIOT GOVERNMENT WAS IMPRESSED WITH THE CALIBER OF THE U.S. DELEGATION, AND THE FOREIGN MINISTER ASKED CLARK CLIFFORD TO TELL YOU THAT HIS GOVERNMENT AND PEOPLE DEEPLY APPRECIATED THE GESTURE. THE DELEGATION RETURNED WITH THE CONVICTION THAT THE PROCESS OF CHOOSING A SUCCESSOR TO MAKARIOS WILL NOT BE EASY OR QUICK, AND THAT IN THE INTERIM CYPRUS WILL LOOK WITH EVEN MORE INTENSITY TO SUPPORT FROM THE U.S. CLARK CLIFFORD GAVE A HIGHLY EFFECTIVE PRESS CONFERENCE IN NICOSIA YESTERDAY IN WHICH HE REITERATED CONTINUING U.S. INTEREST AND WILLINGNESS TO
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BE INVOLVED IN THE PROCESS OF FINDING A CYPRUS SOLUTION. HE REAFFIRMED THAT WE CONTINUE TO RECOGNIZE THE GREEK-CYPRIOT REGIME AS THE LEGALLY CONSTITUTED GOVERNMENT OF THE REPUBLIC OF CYPRUS.

2. SOUTHERN LEBANON. SHELLING AND SMALL UNIT SKIRMISHES

IN SOUTHERN LEBANON HAVE INCREASED CONSIDERABLY OVER THE LAST SEVERAL DAYS FOLLOWING A RELATIVE LULL IN JULY. THESE RECENT CLASHES, HOWEVER, ARE NOT AS SEVERE AS THOSE THAT OCCURRED IN APRIL, WHEN THE CHRISTIANS LOST SEVERAL VILLAGES. MAINLINE PALESTINIAN GROUPS DO NOT APPEAR TO BE INITIATING THE FIGHTING, CONTRARY TO ISRAELI CLAIMS. NEVERTHELESS, THESE GROUPS HAVE BECOME INVOLVED WHEN SHELLED BY CHRISTIAN OR ISRAELI ARTILLERY.

THE CHRISTIAN POSITION HAS NOT DETERIORATED APPRECIABLY OVER THE PAST MONTH. THE ISRAELIS, HOWEVER, ARE INCREASINGLY CONCERNED OVER WHAT THEY PERCEIVE AS THE DECLINING MORALE AND FIGHTING CAPABILITIES OF THE CHRISTIANS. AS A RESULT, THE ISRAELIS HAVE CONDUCTED MORE CROSS-BORDER OPERATIONS BY UNITS OF FOUR TO SIX VEHICLES IN SUPPORT OF THE CHRISTIANS AND AGAINST PALESTINIAN CAMPS. THE AVAILABLE INFORMATION SUGGESTS THAT THERE WOULD BE LITTLE JUSTIFICATION FOR THE MAJOR ISRAELI CROSS-BORDER STRIKE WHICH HAS BEEN RUMORED, AND WE HAVE WARNED THE ISRAELIS ABOUT THE DRASTIC CONSEQUENCES OF SUCH ACTION AT THIS TIME.

3. MEETING WITH JOHN MOORE. JOHN MOORE CAME IN TODAY TO DISCUSS THE BANK'S PROGRAMS IN KOREA, TAIWAN AND PERU. HE APPEARS SATISFIED THAT THE OUTLOOK FOR SOUTH KOREA PROVIDES EXIM WITH THE "REASONABLE ASSURANCE OF REPAYMENT" REQUIRED BY ITS STATUTES.

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HE IS, HOWEVER, PARTICULARLY CONCERNED ABOUT TAIWAN, WHERE EXIM IS THE LARGEST SINGLE LENDER, WITH OVER \$1.5 BILLION IN CREDITS OUTSTANDING. I ASSURED JOHN THAT SEEKING TO NORMALIZE RELATIONS WITH CHINA WE INTENDED TO PROTECT OUR RIGHT TO MAINTAIN FULL ECONOMIC RELATIONS WITH TAIWAN. JOHN RECOGNIZES THE CRUCIAL IMPORTANCE OF CONTINUING U.S. ECONOMIC SUPPORT FOR TAIWAN AND APPEARS WILLING TO MAINTAIN THE STATUS QUO IN EXIM DEALINGS THERE. HE TOLD ME HE EXPECTS THE BANK TO APPROVE A 19-YEAR \$117 MILLION THERMAL POWER LOAN TO TAIWAN TOMORROW. I SUGGESTED THAT WE MEET AGAIN AFTER CY'S TRIP TO CHINA.

JOHN ALSO EXPRESSED CONCERN ABOUT PERU, WHICH FACES IMMINENT EXHAUSTION OF ITS FOREIGN EXCHANGE RESERVES. HE IS UNCERTAIN WHETHER PERU WILL CONCLUDE AN IMF STANDBY FINANCIAL PACKAGE, WHICH IS A CONDITION FOR FURTHER COMMERCIAL BANK LENDING THERE. HE AND THE BANK WANT TO CONTINUE THEIR MEDIUM-TERM LENDING, BUT ARE LOOKING FOR WAYS TO PROTECT EXIM'S POSITION WITHOUT DRYING UP PERU'S SOURCES OF COMMERCIAL LOANS. WE WILL KEEP IN CLOSE TOUCH WITH HIM ON DEVELOPMENTS IN PERU.

4. URUGUAY. FOLLOWING AN ARMED FORCES PLANNING MEETING THIS PAST WEEKEND, PRESIDENT APARICIO MENDEZ ANNOUNCED YESTERDAY THAT NATIONAL ELECTIONS WILL BE HELD IN NOVEMBER, 1981. OUR EMBASSY BELIEVES TIMING OF THIS ANNOUNCEMENT WAS INFLUENCED BY THE SCHEDULED VISIT OF ASSISTANT SECRETARY TODMAN TO URUGUAY NEXT WEEK AND VIEWS IT AS A RESPONSE TO OUR HUMAN RIGHTS POLICIES. WHEN AMBASSADOR PEZZULLO PRESENTED HIS CREDENTIALS TO PRESIDENT MENDEZ THIS MORNING, HE TOLD MENDEZ THAT WE ARE ENCOURAGED BY THE ANNOUNCEMENT, AND LOOK FORWARD TO THE DAY WHEN HIS COUNTRY RETURNS TO ITS TRADITION OF POLITICAL AND INDIVIDUAL FREEDOM.

5. GAS PIPELINE WITH CANADA. THE CANADIANS HAVE NOW
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TOLD US THEY WILL BE READY TO BEGIN DISCUSSIONS ON THE ALCAN PIPELINE PROJECT ON WEDNESDAY OR THURSDAY OF NEXT WEEK. I TALKED WITH JIM SCHLESINGER TODAY ABOUT OUR NEGOTIATING TEAM, WHICH WILL BE HEADED UP BY JIM, WITH SUPPORT FROM STATE, TREASURY AND ENERGY. THE FURTHER DELAY IN BEGINNING THE TALKS, OCCASIONED BY THE NEED YOU MENTIONED FOR THE CANADIAN GOVERNMENT TO CONSULT WITH THE PROVINCES, WILL LEAVE ONLY ABOUT TWO WEEKS BEFORE THE SEPTEMBER 1 DEADLINE FOR A DECISION. CHRISTOPHER

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*** Current Classification *** SECRET

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIEFING MATERIALS, CAT-B, COMBAT OPERATIONS, DEVELOPMENT BANKS, FOREIGN POLICY POSITION, STATE FUNERALS, TOSEC
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Aug-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE189631
Document Source: CORE
Document Unique ID: 00
Drafter: DLAMB:MS
Enclosure: n/a
Executive Order: GS
Errors: n/a
Expiration:
Film Number: P840072-1321
Format: TEL
From: SS STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708114/aaaafysk.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 0481b350-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1443175
Secure: OPEN
Status: <DBA CORRECTED> gwr 970911
Subject: EVENING READING
TAGS: MOPS, OVIP, CA, CY, LE, PE, US, UY, XMB, (MAKARIOS III), (VANCE, CYRUS R)
To: SECRETARY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0481b350-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009